

Memorandum

To: Chair and Commissioners

Date: April 26, 2002

From: Diane C. Eidam

File No: Reference No. 4.1
ACTION

Ref: STATE LEGISLATION

A summary of the actions taken by the Legislature on 31 legislative measures dealing with transportation funding is given below. These bills were identified at the April Commission meeting. An analysis of SCA 11 (Murray) - Loans of Transportation Revenues and Funds, prepared by the Senate Transportation Committee is also provided for the Commission's consideration.

STATUS OF TRANSPORTATION FUNDING MEASURES

AB 1779 (Strickland) - Harbor Districts

SUMMARY: Authorizes the board of a harbor district to borrow money by issuance of promissory notes, or execute conditional sales contracts to purchase personal property, up to an increased amount for the purposes of acquiring land for, and constructing or operating, any work, project, or facility authorized under specified law, for a term of 5 years.

STATUS: In Assembly Local Government Committee

AB 1782 (Kehoe) - Harbors And Ports Security Bonds

SUMMARY: Enacts the Harbor and Port Protection Bond Act of 2002, which would authorize the issuance of bonds, pursuant to the State General Obligation Bond Law, in a specified amount for purposes of financing capital improvement projects that provide enhanced security at harbors and ports. Declares that it is to take effect immediately as an urgency statute.

STATUS: Passed Assembly Transportation Committee 04/08/02

Passed Assembly Natural Resources Committee 04/15/02

In Assembly Appropriations Committee 04/23/02

AB 2078 (Briggs) - Rail Consolidation Grant Program Project Funding

SUMMARY: ~~Establishes the Rail Consolidation Grant Program for the purposes of funding rail consolidation. Authorizes Caltrans to award grant funds on a competitive basis to counties that are consolidating multiple railroad lines and railroad crossings within county lines.~~ Amended 04/09/02. The Department of Transportation is currently authorized to allocate federal congestion mitigation and air quality program funds for transportation projects in accordance with federal law. This bill would provide that projects for the consolidation of railroad lines are eligible to receive these funds.

STATUS: Passed Assembly Transportation Committee 04/22/02

In Assembly Appropriations Committee 04/25/02

AB 2206 (Salinas) - Transportation: Rail Service

SUMMARY: Requires that funds previously allocated to the City of Seaside for the Fort Ord rail station right-of-way acquisition could also be used by the Transportation Agency for Monterey County for work at the Monterey Bay rail station without additional approval.

STATUS: Passed Assembly Transportation Committee 04/01/02

In Assembly Appropriations Committee, to Suspense File 04/24/02

AB 2232 (Wyman) - State Highway Route 138: Funding

SUMMARY: ~~Appropriates \$109,000,000 from the State Highway Account in the State Transportation Fund to the Department of Transportation for the expansion of State Highway Route 138 from 2 to 4 lanes between Victorville and Palmdale.~~ Amended 04/25/02, to appropriate \$12,000,000 from the State Highway Account to the department for the immediate expansion of the bridges located on State Highway Route 138 that cross Big Rock Creek .

STATUS: In Assembly Transportation Committee 04/25/02

AB 2275 (Aanestad) - Transportation, Local Road Rehabilitation

SUMMARY: Authorizes the regional transportation improvement program to include projects for the rehabilitation of local streets and roads in counties meeting certain conditions.

STATUS: Failed passage in Assembly Transportation Committee 04/08/02.

AB 2333 (Nakano) - Transportation: Interregional Transportation Program Funding

SUMMARY: Amended 04/22/02. This bill would require the Department of Transportation to give preference to projects that facilitate airport development and access in Los Angeles, Orange, Riverside, and San Bernardino Counties when proposing projects for the Interregional Transportation Improvement Program, if that county is consistent with the regional transportation plan developed by the Southern California Association of Governments (SCAG). The bill would additionally authorize the SCAG to review the master plans and airport layout plans of each commercial airport or proposed commercial airport in these counties in order to determine whether the airport is in compliance or is taking the necessary steps to achieve compliance with the Regional Transportation Plan.

STATUS: Passed Assembly Transportation Committee 04/01/02

In Assembly Appropriations Committee, to Suspense File 04/24/02

AB 2360 (Dutra) - Freeway Service Patrols

SUMMARY: Specifies that the funding for emergency roadside assistance on a freeway located in an urban area be made using a formula-based allocation. Creates the Competitive Freeway Service Patrol Grant Program to provide funding for a freeway service patrol system to reduce traffic congestion. Requires the Department of Transportation to develop specified guidelines for this program.

STATUS: Passed Assembly Transportation Committee 04/01/02

In Assembly Appropriations Committee, to Suspense File 04/24/02

AB 2369 (Salinas) - Transportation Accessibility Bond Act

SUMMARY: Enacts the Transportation Accessibility Bond Act which, subject to voter approval, would provide for the issuance of \$500 million of general obligation bonds, the proceeds of which would be used for the purpose of funding the construction of or improvements to various state and local highway and transit systems in order to establish or expand services for seniors or the disabled to improve accessibility of those systems to persons with disabilities.

STATUS: Passed Assembly Transportation Committee 04/15/02
In Assembly Appropriations Committee 04/22/02

AB 2650 (Lowenthal) - Air Pollution: Diesel Emissions: Particulate Matter

SUMMARY: Amended 04/22/02 to require each marine terminal in the state to operate in a manner that does not cause the engines on diesel trucks to idle for more than 30 minutes while waiting to load or unload at the terminal, and would charge the air district with geographical jurisdiction over that marine terminal with enforcing the requirement. The bill would make any owner or operator of a marine terminal that acts in violation of that requirement subject to a fine. The bill would also make any owner or operator that takes action to pass the costs of that fine on to the owner or operator of a diesel truck a misdemeanor, thereby creating a new crime. The bill would impose a fine on the owner or operator of the marine terminal or port for taking any action to divert idling trucks to area freeways or alternate staging areas. The bill would exempt from the requirement any marine terminal that provides two continuous hours of uninterrupted, fully staffed receiving and delivery gates two hours prior to and after, peak commuter hours each day, at least five days per week. The bill would require any moneys resulting from fines imposed pursuant to these provisions to be deposited in the Carl Moyer Memorial Particulate Matter Abatement and Compliance Account, created by this bill.

STATUS: Passed Assembly Transportation Committee 04/08/02
In Assembly Appropriations Committee 04/22/02

AB 2719 (Maldonado) - Aeronautics

SUMMARY: Amended 04/17/02. The bill would appropriate the sum of \$19,000,000 from the General Fund to the department for disbursement as grants for public use general aviation airport security and safety needs. The bill would also provide for an appropriation each year, commencing in 2004, of \$10,000,000 from the General Fund to the Controller for transfer to the Aeronautics Account in the State Transportation Fund, for security and safety needs, as determined by the department, for the safe and secure functioning of airport facilities.

STATUS: Passed Assembly Transportation Committee 04/22/02
In Assembly Appropriations Committee 04/22/02

AB 2788 (Longville) - Passenger Rail Improvement Safety and Bond Act

SUMMARY: Enacts the Passenger Rail Improvement, Safety, and Modernization Bond Act of 2002. Provides for the issuance of general obligation bonds to be used for the purpose of funding improvements to the state's passenger rail systems. Provides for the submission of the bond act to the voters.

STATUS: Passed Assembly Transportation Committee 04/01/02
In Assembly Appropriations Committee, to Suspense File 04/24/02

AB 2809 (Longville) - Sales and Use Tax Exemption: Diesel

SUMMARY: Clarifies, for purposes of the diesel fuel sales and use tax exemptions, the definition of farming activities.

STATUS: In Assembly Revenue and Taxation Committee

AB 2897 (Wiggins) - Sales and Use Taxes: Exemptions: Fuel

SUMMARY: Exempts from sales and use tax the gross receipts in excess of \$0.50 per gallon derived from the sale in this state of, and the storage, use, or other consumption in this state of, fuel and petroleum products sold to or purchased by air common carriers.

STATUS: In Assembly Revenue and Taxation Committee

AB 3025 (Committee on Transportation) - Environmental Enhancement Project

SUMMARY: Requires the Department of Transportation to extend the completion date for the Ueda Parkway Off-Road Recreation and Environmental Enhancement Project and the Eastern Sierra Interagency Visitor Center Environmental Enhancement and Mitigation Project in Lone Pine to June 30, 2007; revises, under the State Contract Act, the partial payment amount and limit with respect to large, complex projects over water requiring marine access.

STATUS: Passed Assembly Transportation Committee 04/15/02

Passed Assembly Business and Professions Committee 04/23/02

In Assembly Appropriations Committee 04/24/02

AB 3026(Committee on Transportation) - Transportation: Funding

SUMMARY: Amended 04/11/02. Provide that the projects included in the STIP would be counted against the STIP interregional improvement program share for a project in the interregional improvement program and the county share for the county in which a project is located for a project in a regional improvement program.

STATUS: Passed Assembly Transportation Committee 04/15/02

Passed Assembly Appropriations Committee 04/24/02.

Preprint SB 1 (Karnette) - Container Facility Charges

SUMMARY: Establishes the Southern California Freight Management Agency and prescribes its authority, including the authority to collect a container facility charge in an unspecified amount on each full and empty container brought into a port of this state south of, and including, Port Hueneme by a foreign or domestic commercial vessel. Requires the Board of Port Commissioners of the City of Oakland to establish an agency under its jurisdiction to collect the charge north of Port Hueneme.

STATUS: 09/19/2001 INTRODUCED.

SB 10 XXX (Sher) - Sales and Use Taxes: Exemption: Diesel

SUMMARY: Clarifies, for purposes of the diesel fuel sales and use tax exemption, the definition of "farming activities." Makes legislative findings and declarations relating to the state budget.

STATUS: 03/14/2002 ON SENATE FLOOR.

SB 1262 (Torlakson) - Regional Improvement Program Funding (STIP)

SUMMARY: Amended 04/23/02. Would require that not less than 10% of the funds in a STIP County Share, for counties with a population greater than 200,000, shall be used for a transportation incentive program to reward local jurisdictions that promote development patterns that reduce traffic congestion, provide a better jobs-housing balance, and promote new housing and other developments within walking distance of local shops, schools, and businesses.

STATUS: Passed Senate Transportation Committee 04/02/02
In Senate Appropriations Committee 04/23/02

SB 1456 (Knight) - Transportation: Funding, State Route 138

SUMMARY: Appropriates \$187.3 million from the General Fund to the Department of Transportation for allocation to widen State Highway Route 138 from 2 to 4 lanes between Avenue T and 165th Street in the County of Los Angeles and to realign State Highway 58 for safety purposes at the Boron "S" curve near the City of Boron.

STATUS: Failed passage in Senate Transportation Committee 04/02/02

SB 1510 (Knight) - Sales and Use Tax: Exemptions: Fuel

SUMMARY: Provides a sales and use tax exemption for the sale of fuel and petroleum products to air common carriers for immediate shipment outside this state for consumption in the conduct of their business.

STATUS: In Senate Revenue and Taxation Committee 04/10/02

SB 1533 (Poochigian) - Airport Security: Airport Improvement Grants

SUMMARY: Allows airports to use state funds provided for airport security purposes, at the discretion of the airport's sponsor, as defined, for the airport's local share of matching funds for a Federal Aviation Administration Airport Improvement Program grant, to the extent the grant is used to improve security at an airport.

STATUS: In Senate Transportation Committee 02/28/02

SB 1608 (Morrow) - Fuel Taxes: Emergency Service Providers

SUMMARY: Provides an exemption under the Motor Vehicle Tax Law and the Diesel Fuel Tax Law for local emergency service providers, and would make related and conforming changes.

STATUS: Failed passage in Senate Revenue and Taxation Committee 04/10/02

SB 1794 (Torlakson) - Transportation: Authorities

SUMMARY: Amended 04/16/02. Authorizes certain transportation authorities to impose transportation user and regulatory fees. Requires such fees would be subject to a local ballot measure requiring 55% voter approval. Requires transportation projects and services undertaken with those fees to meet certain requirements. Enacts other related provisions.

STATUS: In Senate Transportation Committee 04/16/02

SB 1853 (Murray) - Transportation Noise Reduction, Safety Program

SUMMARY: Enacts the Transportation Noise Reduction, Safety Enhancement, and Congestion Relief Bond Act of 2002 which, if adopted, would authorize, for purposes of financing transportation noise reduction, safety enhancement, and congestion relief projects, the issuance, of bonds in the amount of \$1 billion. Provides for the submission of the bond act to the voters at a future election in accordance with applicable law.

STATUS: In Senate Transportation Committee 03/07/02

SB 1856 (Costa) - High-Speed Train Bond Act of 2002

SUMMARY: Enacts the High-Speed Passenger Train Bond Act of 2002, which, subject to voter approval, would provide for the issuance of an unspecified amount of general obligation bonds, the proceeds of which would be used for the purpose of funding the planning and construction of a high-speed train system in this state pursuant to the business plan of the High-Speed Rail Authority.

STATUS: In Senate Transportation Committee 03/07/02

SB 1858 (Burton) - Transportation Project Enhancement Account

SUMMARY: Amended 04/18/02. ~~Creates the Transportation Project Enhancement Account in the State Transportation fund which would be administered by the department of trans. Requires all Federal Transportation Enhancement Activity funds received by the state to be deposited in the account. Specifies projects eligible for funding from the account and requires them to be consistent with federal eligibility requirements.~~ Existing law deletes State Highway Route 480 from the state highway system and requires the department to remove the earthquake-damaged structure, transfer the Route 480 right-of-way to the City and County of San Francisco, and jointly agree with the city and county on a system of ramps and city streets to provide accessibility comparable to that provided by Route 480. This bill would make a nonsubstantive change to this section of law.

STATUS: Passed Senate Transportation Committee 04/25/02
In Senate Appropriations Committee 04/23/02

SB 1888 (Poochigian) - Transportation Investment Fund

SUMMARY: Limits the reallocation to the Department of Transportation gasoline sales tax revenues to an amount that does not exceed the amount that would have been allocated under these provisions to the department in fiscal years 2001 and 2002 if Chapter 113 of the Statutes of 2001 had not been enacted. Provides for an allocation of gasoline sales tax revenues to cities and counties in fiscal years 2006 and 2007. Makes an appropriation.

STATUS: In Senate Transportation Committee 03/21/02

SB 2073 (Johannessen) - Short Line Railroads

SUMMARY: Creates in the State Transportation Fund the Short Line Railroad Improvement Account to be administered by Caltrans. Authorizes Caltrans to approve grants for short line railroads, as defined, to be funded from the account.

STATUS: Passed Senate Transportation Committee 04/02/02
In Senate Appropriations Committee 04/23/02

SCA 11 (Murray) - Loans of Transportation Revenues and Funds

SUMMARY: Requires any loan of certain motor vehicle fuel and vehicle-related revenues or trust funds that is not repaid within the same fiscal year, or by a date not more than 30 days after the enactment date of the budget bill for the subsequent fiscal year, to be repaid with interest at a specified rate; provides that a loan of these funds may also be made to other state funds or accounts under the conditions applicable to loans to the General Fund.

STATUS: Passed Senate Transportation Committee 04/25/02
In Senate Committee on Constitutional Amendments 04/26/02

SJR 36 (Murray) - Federal Highway Funding

SUMMARY: Supports the efforts of the House of Representatives and the United States Senate to restore federal highway funding for 2003 to the levels anticipated in the Transportation Equity Act for the Twenty-First Century.

STATUS: Adopted by the Senate 03/04/02
Adopted by the Assembly 04/08/02
Chaptered, Resolution Chapter No. 31 04/15/02

=====

This bill analysis was prepared by the Senate Transportation Committee, Senator Kevin Murray, Chairman. Analysis by: Steve Schnaidt.

BILL NUMBER: SCA 11 (MURRAY)
SUBJECT: Loans of Transportation Revenues and Funds
STATUS: Senate Committee on Constitutional Amendments
Passed Senate Transportation Committee 04/25/02 (10-0)
DATE: April 26, 2002

DESCRIPTION:

This proposed constitutional amendment would require that loans from the State Highway Account or the Public Transportation Account to the General Fund or other state accounts for extended time periods shall be repaid with interest.

BACKGROUND:

Article XIX (19) of the California Constitution restricts the use of revenues derived from taxes imposed by the state on motor vehicle fuels and vehicle fees and taxes to specified highway, transit guideway and motor vehicle related purposes, including environmental mitigation, and for the enforcement of laws regulating the use, operation and registration of vehicles.

Existing law establishes the Public transportation Account (PTA), formerly the Transportation Planning and Development Account (TP&D), establishes the account as a trust fund, and provides for the deposit of tax revenues derived from the imposition of retail sales and use taxes on diesel fuel and on a specified portion of the value of gasoline in the account. The law specifies the purposes for which the

PTA funds may be spent, including transit operations, facilities and equipment, intercity rail services and certain transit planning activities.

In the early and mid 1990s, the fiscal woes of the state and massive deficits in the General Fund resulted in numerous creative budgetary and financing adjustments and arrangements, including the loan or transfer of several hundred million dollars of State Highway Account and TP&D Account funds to the General Fund. In addition, transfers of highway rental property receipts and interest account funds were made to the General Fund to help alleviate the state's fiscal shortfalls, and several hundred million dollars in local transportation funds were shifted to mitigate Orange County's bankruptcy and a general funding shortfall in Los Angeles.

With limited exceptions, many of the loans and transfers of state transportation and transit funds to the General Fund were not repaid and appear unlikely every to be repaid. Despite a constitutional requirement for repayment, the constitutional language at that time set no conditions for the terms or time period for repayment.

In 2001, the state faced a moderate deficit in the General Fund for the 2001-02 Fiscal Year. In response, a number of expenditure and revenue adjustments were made to cover the shortfall, including the enactment of a complex, multi-year cash flow, transfer and loan plan involving several transportation accounts.

The Governor's plan proposed a two-year delay in the statutorily-required transfer of gasoline sales tax revenues from the General Fund to state and local transportation accounts and programs, including the Traffic Congestion Relief Program. To backfill the changes and resulting revenue effects, a budget trailer bill provided for the State Highway Account (SHA) to pay certain local road repair funding allocations and required several loans to the Traffic Congestion Relief Fund (TCRF), including loans of up to \$180 million from the SHA and a \$100 million loan from the Motor Vehicle Account.

In 2002, the state faces a deficit in the 2002-03 budget year of much larger proportions - estimates range from \$12.5 billion to \$17 billion. The Governor has proposed the use of transportation account balances for loans to help address the General Fund situation. The 2002-03 budget proposes a \$672 million loan from the TCRF to the General Fund and a loan of \$474 million from the State Highway Account to backfill the TCRF. These loan proposals are in addition to and would be incorporated into the existing transportation loan and cash flow plan enacted last year as part of the earlier budget deficit plan.

The existing and proposed loan plans and proposals are interest-free and would result in an interest income revenue loss of approximately \$43 million to the State Highway Account alone over the life of the loans. (See attachment for an illustration of the loan proposals.)

ANALYSIS:

In 1998, the state's voters approved Proposition 2 (ACA 30, Murray) which placed additional conditions on the loan of constitutionally-protected motor vehicle revenues and related transit and local transportation funds. As amended by Proposition 2, Article 19 of the Constitution now requires that state gasoline tax and motor vehicle revenues loaned to the General Fund are to (a) be repaid within the same fiscal year, or (b) be repaid within three fiscal years if the Governor either (1) has proclaimed a fiscal emergency, or (2) General Fund revenues decline from one year to the next, as specified. Article 19 also authorizes loans of funds in the Public Transportation Account to the General Fund under the same terms and conditions as those for loans of gas tax and vehicle fee revenues.

Proposition 2 authorized the Legislature to statutorily approve loans of Article 19 funds to local transportation agencies and cities and counties, provided that a loan be repaid within four years and that it be repaid with interest.

This constitutional amendment, if approved by the state's voters, would place additional conditions on the loan of Article 19 transportation tax and fee revenues and funds in the Public Transportation Account to the General Fund or other state accounts. Specifically, the measure would:

- 1.Require that any loan of gas tax/vehicle fee revenues to the General Fund for more than one year shall be repaid with interest;
- 2.Require that loans from the PTA to the General Fund for more than one year be repaid with interest;
- 3.Extend the terms of the General Fund - authorized loan provisions to cover other state funds or accounts; and
- 4.Specify that required interest be paid on loans of the transportation funds at the rate paid on money in the Pooled Money Investment Account.

COMMENTS:

1.The author notes that significant loans and sequential fund transfers of State Highway Account funds were made to the General Fund in the early-mid 1990s and that the bulk of such loans and fund exchanges - several hundreds of millions of dollars - were never repaid to the transportation accounts where the funds originated. The author successfully proposed Proposition 2 in 1998 which established loan payback provisions involving Article 19 gas tax and registration fee revenues as a partial response to the earlier loan and non-payback situations.

The 2002-03 budget proposal would loan transportation funds to the General Fund in a way that avoids the constitutional provisions and conditions on such loans. The Article 19 conditions reference gas tax and registration fee loans to the General Fund, but the budget proposal would make loans from the Traffic Congestion Relief Fund to the General Fund and backfill the TCRF with Article 19 transportation funds.

The intent of the current bill is to extend the constitutional loan conditions to Article 19 funds loaned to any state account in order to avoid the "laundering" of such funds for condition-free loans. The intent also is to capture interest on multi-year loans of transportation funds so that transportation funds do not subsidize other state accounts and do not suffer lost interest income which would otherwise have been credited to the transportation accounts.

2.The Department of Transportation, in a presentation to the California Transportation Commission, estimated that the proposed SHA loan would impact the account in the amount of \$43 million in foregone interest income over the life of the loan.

3.The bill would place the same conditional loan and interest conditions on loans from the Public Transportation Account. Current statutory law requires PTA loans to the General Fund to be repaid with interest.